How does a nonresident compute the alternative minimum tax credit when there are several years of carryforward credits involved?

A taxpayer incurring a federal alternative minimum tax (AMT) liability may be entitled to carry forward a minimum tax credit. The federal credit can be used to offset a tax liability in a year for which the tentative minimum tax is less than the regular tax liability. Only "deferral" preference items can generate a minimum tax credit for individuals; "exclusion" preference items cannot.

The allowable Colorado minimum tax credit is 12% of the current year federal minimum tax credit. In the case of a taxpayer who was a nonresident during the year in which the credit was created, the federal minimum tax credit carryforward must be allocated in the ratio of the Colorado source modified federal AMT income to the total modified federal AMT income. Credits carried forward from more than one year are claimed on a first-in, first-out basis.

Example: Assume an \$8,500 federal minimum tax carryforward to 2007; \$2,000 from 2004 (5.4% sourced to Colorado), \$1,500 from 2005 (0% sourced to Colorado), and \$5,000 from 2006 (38.9% sourced to Colorado). Assume the taxpayer claims a credit of \$5,000 on the 2007 federal return. The Colorado credit is computed as follows:

2004 \$2,000 times 12% times the 5.4% Colorado source equals	\$13
2005 \$1,500 times 12% times the 0.0% Colorado source equals	\$ 0
2006 \$1,500 times 12% times the 38.9% Colorado source equals	\$70
2007 Colorado credit	\$83

Carryforward to 2008 is a \$3,500 federal credit, 38.9% sourced to Colorado (\$1,362), which results in a potential future Colorado credit of \$163.